

## Message Text

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S E C R E T SECTION 1 OF 3 SEOUL 8814

JOINT EMBASSY/COMUSK MESSAGE

EO 11652: GDS

TAGS: MASS, MPOL, KS

SUBJECT: ROK FORCE IMPROVEMENT PLAN: POLICY CONSIDERATIONS

REF:

A. SEOUL 5943 (DTG 050853Z AUG 75)

B. SEOUL 6355 (DTG 190821Z AUG 75)

C. SEOUL 8760 (DTG R 140149Z NOV 75)

D. SEOUL 8801 (DTG R 140822Z NOV 75)

SUMMARY: COUNTRY TEAM/COMUSK'S MILITARY ECONOMIC  
AND POLICY CONSIDERATION OF ROK'S FORCE IMPROVEMENT  
PLAN (FIP) CONCLUDES THAT WITH SOME EXCEPTIONS PLAN  
IS MILITARILY VALID AND THAT IT IS VIABLE IN ECONOMIC  
TERMS EXCEPT THAT INCREASED FOREX EXPENDITURES COULD  
SERIOUSLY STRAIN ROK CAPACITY AND CAN NOT BE ACCOMPLISHED  
WITHOUT ADEQUATE EXTERNAL CREDITS. WE BELIEVE  
PROGRAM, COST, AND FOREIGN EXCHANGE REALITIES

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WILL EVENTUALLY BE ACCEPTED BY PRESIDENT PARK AND

FIP WILL OF NECESSITY BE MODIFIED. WE ALSO BELIEVE U.S. SUPPORT FOR MODIFIED FIP IS JUSTIFIABLE IN TERMS OF OUR NATIONAL INTERESTS IN KOREA. WE RECOMMEND \$300 MILLION ANNUAL SUPPORT ALMOST EXCLUSIVELY IN FMS GUARANTEED COMMERCIAL CREDITS AS PLANNING FIGURE. AT SAME TIME OTHER OPTIONS FOR FOREIGN EXCHANGE SHOULD BE EXPLORED.. END SUMMARY.

## I. INTRODUCTION

1. IN AUGUST, ROKG FORMALLY REQUESTED U.S. SUPPORT FOR ITS FIVE YEAR ROK FORCE IMPROVEMENO PLAN (FIP) (REF A AND B). REQUEST RENEWED AT 8TH SCM AND SECRETARY SCHLESINGER STATED THAT WE WOULD STUDY FIP CAREFULLY WITH VIEW TO SEEING HOW WE COULD SUPPORT IT. COUNTRY TEAM AND COMUS/K HAVE SINCE UNDERTAKEN DETAILED MILITARY AND ECONOMIC ANALYSIS OF NEW ROK PLAN, IN COURSE OF WHICH WE HAVE CONDUCTED LENGTHY DISCUSSIONS WITH ROK OFFICIALS. OUR ANALYSIS HAS BASICALLY SOUGHT TO DEAL WITH FOUR QUESTIONS:

- (A) VALIDITY OF THE FIP FROM A MILITARY VIEWPOINT;
- (B) WHETHER FIP VIABLE IN ECONOMIC TERMS;
- (C) WHETHER U.S. SHOULD: 305 \*80 - 8 94 8, .9\$8\*83\$ \*94.;
- (D) APPROPRIATE LEVEL OF U.S. SUPPORT FOR THE PLAN.

2. IN PREVIOUS MESSAGES (REF C AND D) WE HAVE ADDRESSED FIRST TWO QUESTIONS AND COME UP WITH QUALIFIED POSITIVE ANSWERS. MILITARY REVIEW (REF C) ESTABLISHES ESSENTIAL VALIDITY FO KOREAN LIST OF REQUIREMENOS BASED ON PREVIOUS U.S. STUDIES, ALTHOUGH AS IT POINTS OUT THERE ARE STILL UNRESOLVED AND IMPORTANT DIFFERENCES WITH REGARD TO PRIORITY OF A FEW ITEMS SUCH AS SUBMARINES AND THE EQUIPPING OF THE HOMELAND DEFENSE DIVISIONS. OUR ECONOMIC STUDY (REF D) CONCLUDES THAT THE KOREAN ECONOMY CAN SUPPORT THE PROPOSED LARGE INCREASES IN ROK MILITARY EXPENDITURE AT A RELATIVELY SMALL AND ACCEPTABLE COST TO ECONOMIC DEVELOPMENT OF KOREA, BUT THAT MUCH INCREASED RATE OF FOREIGN EXCHANGE EXPENDITURE COULD SERIOUSLY STRAIN ROK FINANCING CAPACITY AND COULD NOT BE ACCOMPLISHED WITHOUT ADEQUATE

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EXTERNAL CREDITS. THIS MESSAGE DEALS WITH LATTER TWO QUESTIONS.

## II. BACKGROUND

3. ROK FORCE IMPROVEMENT PLAN IS NOT A BRAND NEW PLAN; RATHER IT IS LOGICAL EXTENSION WITH SOME MODIFICATIONS OF ROK DEFENSE DEVELOPMENT SINCE INITIATION OF 1971-75 MOD PROGRAM. IT IS BASED ON COMMON US/ROK RECOGNITION

THAT AS RESULT OF RELATIVELY HEAVIER MILITARY EQUIPMENT EXPENDITURE, NORTH SPURTED AHEAD OF SOUTH IN EQUIPMENT TERMS DURING 1960S AND THAT CONTINUED MODERNIZATION OF ROK FORCES WILL BE NECESSARY AS WELL AS DESIRABLE, TO ENABLE ROK TO NARROW GAP AND BECOME CAPABLE OF DEFENDING ITSELF AGAINST ATTACK BY NORTH KOREA ALONE, UNSUPPORTED BY USSR AND PRC FORCES.

4. THERE IS, HOWEVER, A DISTINCTLY NEW ASPECT TO FIP, NOT INCLUDED IN PAST JOINT US/ROK MODERNIZATION PLAN, WHICH POSES NEW POLICY CONSIDERATION FOR U.S. THIS IS A TOTAL ROK COMMITMENT TO ACCELERATED PACE OF MODERNIZATION AND CONSEQUENT HIGH RATE OF EXPENDITURE, PARTICULARLY OF FOREIGN EXCHANGE.

5. PRESIDENT PARK AND HIGH ROKG OFFICIALS HAVE COMMITTED THEMSELVES TO RAPID FORCE IMPROVEMENT WITHIN THE 1976 - 1980 TIME FRAMEWORK. AS EXPLAINED TO US THIS COMMITMENT DERIVES FROM BELIEF THAT:

- (A) U.S. MILITARY PRESENCE IN KOREA WILL DIMINISH AND COULD DISAPPEAR IN NEXT FIVE YEARS;
- (B) THERE IS VERY LITTLE LIKELIHOOD THAT NORTHERN THREAT WILL BE REDUCED;
- (C) NORTH KOREAN EQUIPMENT SUPERIORITY OVER SOUTH WILL REMAIN AND EVEN GROW WITHOUT EXPANDED RATE OF ROK MODERNIZATION AND EXPENDITURE; AND
- (D) CONSEQUENTLY SOUTH MUST SHARPLY ACCELERATE EQUIPMENT PURCHASES SO IT WILL BE IN POSITION TO HANDLE ATTACK FROM NORTH ALONE BY 1980, AND, IF NECESSARY. BECOME SELF-RELIANT. IN MORE POSITIVE VEIN, PARK ALSO ENVISIONS CLOSING SECURITY GAP AS ESSENTIAL ADJUNCT HIS AND U.S. EFFORT TO PUSH NORTH KOREA TOWARD NEGOTIATED INTERIM SETTLEMENT ON BASIS TWO KOREAS.

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(IT IS NOTABLE FROM OUR CONVERSATIONS WITH OPPOSITION NDP MEMBERS ON FIP THERE IS NO ESSENTIAL DISSENT ON THIS APPROACH. WHILE IT IS NOW SEEKING MARGINAL CUTS IN DEFENSE BUDGET FOR POLITICAL PURPOSES, OPPOSITION PERCEIVES DEFENSE MODERNIZATION AS EVENTUALLY OFFSETTING NORTHERN THREAT AND REDUCING NEED FOR PARK'S INTERNAL CONTROLS AND THEREFORE FAVORS IT. MINOR 1 PERCENT BUDGET CUT THEY DO SEEK IS IN MILITARY MANPOWER LEVELS, NOT MODERNIZATION.)

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### III. ACCEPTANCE OF MODIFIED FIP

6. ROKG IS TOTALLY COMMITTED TO FIVE-YEAR FIP AND IS PREPARED TO ACCEPT BOTH RISKS AND COSTS INVOLVED IN ALLOCATION OF BOTH GREATLY INCREASED LOCAL BUDGETARY EXPENDITURES AND FOREIGN EXCHANGE OUTLAYS. BOTH DPM NAM AND MND SUH HAVE MADE THIS CLEAR. DISCUSSION OF FORMAL AGREEMENT TO STRETCHOUT HAS BEEN CONSISTENTLY REBUFFED. DEDICATION TO FIVE-YEAR PLAN INVOLVES BOTH ELEMENTS OF PRIDE ("ITS THE ROK PLAN") AND CONVICTION OF NEED FOR SELF-RELIANCE.

7. OUR ANALYSIS OF MILITARY AND ECONOMIC FACTORS LEADS US TO CONCLUSION THAT U.S. RECOMMENDED MODIFIED FIP PLAN (OPTION II, REF C) REPRESENTS REALISTIC AND ACCEPTABLE RISK ALTERNATIVE TO ROK PLAN. DELIVERY SCHEDULES IN ROK PLAN ARE UNREALISTIC AND DELAYS AND STRETCHOUT WILL BE NECESSARY. FOREIGN EXCHANGE COSTS, WHEN NORMAL O&M OUTLAYS AND CREDIT REPAYMENT ARE TAKEN INTO ACCOUNT, ALSO DICTATE STRETCHOUT.

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8. WHILE OUR EFFORTS TO CONVINCE ROKG OFFICIALS TO ACCEPT MORE REALISTIC MODIFIED APPROACH HAVE MADE LITTLE PROGRESS, WE BELIEVE THIS BARRIER CAN BE OVERCOME BUT ONLY AS RESULT ROK PRESIDENTIAL DECISION. WE ARE ASSURED BY THOSE CLOSE TO HIM THAT PRESIDENT PARK HAS NOT LOST SIGHT OF ESSENTIAL ECONOMIC GROWTH REQUIREMENTS FOR ROK AND WE BELIEVE THAT PROGRAM, COST, AND FOREIGN EXCHANGE REALITIES WILL TO LARGE EXTENT EVENTUALLY BE ACCEPTED BY HIM IN FACT, ALTHOUGH AS MATTER OF PRINCIPLE FIP WILL REMAIN FIVE-YEAR PLAN. PLAN WOULD STILL REMAIN AS VALID GUIDE TO FUTURE PURCHASES, IF NOT TO PACE OF PURCHASING, AND TIME, FUNDING SHORTAGES, AND DEVELOPMENTS WILL PRAGMATICALLY NECESSITATE STRETCHOUT.

IV. US SUPPORT FOR FIP?

9. ROKG HAS REQUESTED \$400 MILLION OF CREDIT ANNUALLY FOR 1976-77 AND \$300 MILLION FOR LAST THREE YEARS TO SUPPORT FIP. NAM HAS INDICATED SOMEWHAT LOWER FIGURE, MINIMUM OF \$300 MILLION FOR ALL FIVE YEARS, WILL PERMIT ROKG TO FINANCE FOREIGN EXCHANGE COSTS OF FIP AND OTHER DEFENSE EXPENDITURES, WITH ROKG BEARING BURDEN WHICH WILL INCREASE FROM \$600 MILLION IN 1976 TO \$1050 IN 1980 THROUGH OTHER SOURCES. \$900-\$1,350 MILLION ANNUAL TOTAL FOREIGN EXCHANGE IS BASIC MINIMUM NECESSARY TO SUPPORT MODIFIED FIP PLAN AND CONSIDERABLY LESS THAN NEEDED FOR ORIGINAL ROKG PLAN. THIS FIGURE REPRESENTS APPROXIMATE DOUBLING OF CURRENT FOREIGN EXCHANGE NET OUTLAY FROM ROKG (ABOUT \$350 MILLION) AND US (ABOUT \$150 MILLION). OUR RESPONSE TO REQUEST FOR U.S. SUPPORT WILL BE OF FUNDAMENTAL POLITICAL AS WELL AS MILITARY IMPORTANCE TO ROKGS, SINCE AS OUR ECONOMIC ANALYSIS (REF. D) CONCLUDES IT IS FOREIGN EXCHANGE AREA WHICH IS MOST CRITICAL LIMITING FACTOR ON ROK ABILITY TO FULFILL FIP. IN THE PAST, UNITED STATES SECURITY ASSISTANCE WAS THE SINE QUA NON OF MODERNIZATION. IN FUTURE IT WILL NO LONGER PLAY SO LARGE A ROLE, BUT IT WILL BE THE DECISIVE FACTOR IN DETERMINING RATE OF MODERNIZATION.

10. COUNTRY TEAM BELIEVES THAT THERE ARE STRONG REASONS WE SHOULD GIVE OUR SUPPORT TO MODIFIED FIP:

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(A) WE HAVE LONG ENGOURAGED TREND TOWARD SELF SUFFICIENCY AND NOW IN MAJOR MOVE TO TAKE OVER RESPONSIBILITY PRESIDENT PARK HAS GIVEN FIP NUMBER ONE PRIORITY. BUDGETARY OUTLAYS HAVE ALREADY BEEN RAISED TO Y.4 PERCENT OF GNP, A COMMENDABLE EFFORT, AND WILL HAVE TO GO HIGHER. ASIDE FROM TIME SCHEDULE AND RESULTING FOREX PROBLEM AND FEW QUESTIONS REGARDING

MILITARY PRIORITY RAISED IN REF C, FIP IS ALSO BASICALLY  
VALID EXTENSION OF PAST EFFORTS TO MODERNIZE.

(B) ROKS FULLY EXPECT THAT WE WILL CONTINUE TO SUPPORT THEIR  
FORCE IMPROVEMENT INTO THE 1980'S, ALBEIT IN MODIFIED FASHION  
TO ACCORD WITH THEIR DESIRE AND ABILITY TO CARRY BULK OF  
THE FINANCIAL BURDEN THEMSELVES. FOR US TO DO OTHERWISE,  
PARTICULARLY AFTER ASSURANCES WE HAVE GIVEN THEM IN POST-  
VIETNAM PERIOD, WOULD NOT ONLY BE MAJOR BLOW TO KOREANS  
EXPECTATIONS, BUT WOULD BE  
INCONSISTENT WITH OUR FUNDAMENTAL NATIONAL INTERESTS  
IN A SECURE AND STABLE NORTHEAST ASIA.

(C) BALANCED PLAN SUCH AS FIP WHICH MOVES ROKS TOWARD BETTER  
SECURITY BALANCE, WITHOUT JEOPARDIZING ECONOMIC ADVANCE, NOT  
ONLY CONTRIBUTES TO ROK SECURITY BUT IMPROVES CHANCES FOR  
AND WILL STRENGTHEN ROK HAND IN NEGOTIATIONS WITH NORTH AND  
IMPROVES CHANCES FOR LONG TERM INCREASED STABILITY  
ON PENINSULA.

(D) ROK PROGRAM IS NOT ESCALATORY IN MILITARY TERMS. FIP  
FULFILLMENT WILL GIVE ROKGS CAPABILITY OF WITHSTANDING AND  
TURNING BACK NORTHERN ATTACK. BUT GIVEN NORTH KOREAN  
AGGRESSIVENESS AND REASONABLE LIKELIHOOD  
IT WILL ITSELF CONTINUE TO MODERNIZE, FIP WILL NOT IN ITSELF  
STIMULATE NEW ARMS RACE ON PENINSULA.

(E) FIP DOES NOT RPT NOT INVOLVE MAJOR ROKG EFFORT TO MOVE  
INTO AREAS OF HIGHLY SOPHISTICATED TECHNOLOGY, WHICH WOULD  
PROMOTE ESCALATION AND/OR MAKE ROK MORE PRONE TO UNDERTAKE RISKY  
POLICIES. ROK WILL REMAIN DEPENDENT ON U.S., NOT ONLY FOR  
LOGISTICAL SUPPORT IN EVENT NORTH KOREAN ATTACK, BUT FOR HIGH  
TECHNOLOGY WEAPONS. IN FACT, MODIFIED PLAN DELIBERATELY PLACES  
LOW PRIORITY ON DELIVERY SUCH WEAPONS, AND IS BASED ON COMPLEMEN-  
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TARY ROLE OF U.S. FORCES IN THIS AREA.

(F) WHILE WE HAVE NO CURRENT PLANS TO DECREASE OUR OWN FORCES,  
THERE ARE LIABLE TO BE INCREASED PRESSURES TO DO SO IN FUTURE.  
HIGH LEVEL OF U.S. SUPPORT FOR FIP WILL ENHANCE OUR FLEXIBILITY  
WITH REGARD TO LEVEL OF U.S. FORCES PRESENCE AND POSSIBLE  
FUTURE COMMITMENT OF FORCES.

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V. LEVEL OF U.S. SUPPORT

A. FMS CREDIT ASSISTANCE

11. WE CONCLUDE FROM ABOVE ARGUMENTS THAT WE SHOULD GIVE SUBSTANTIAL CONTINUING SUPPORT TO FIP. CRITICAL QUESTIONS ARE ACTUAL LEVEL AND FORMS OF THAT SUPPORT.

12. AS NOTED ABOVE, IN CONVERSATION NOVEMBER 11, DEPUTY PRIME MINISTER NAM HAS ASKED FOR MINIMUM OF \$300 MILLION CREDIT TO HELP COVER ANNUAL FOREIGN EXCHANGE BILL OF FIP, TO INCLUDE NEW O & M AS WELL AS ALL I COSTS, OF \$600 MILLION PER YEAR. (GRANT AID WOULD BE PREFERRED BUT IS RECOGNIZED AS PROBABLY UNFEASIBLE TO EXPECT.) ROKG WILL BE ABLE TO COME UP WITH \$300 MILLION OF THIS FROM ITS OWN SOURCES AND FROM COMMERCIAL BORROWING. NAM CONCLUDES HE CAN ALSO CONTINUE TO COVER THE INITIAL \$300-\$400 MILLION FOREIGN EXCHANGE BILL FOR CURRENT O&M COSTS, DEBT REPAYMENT AND INCREASES THERETO. NAM ALSO ACCEPTS POSSIBILITY OF SLIPPAGE DUE TO FOREIGN EXCHANGE SHORTFALLS.

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13. WE CONSIDER REQUEST FOR \$300 MILLION FMS CREDIT ANNUALLY IS JUSTIFIABLE FOR REASONS LISTED IN SECTION 3. MOREOVER, WE SEE INHERENT LOGIC IN MATCHING ASSISTANCE APPROACH PROPOSED. ROK PREPAREDNESS TO MAKE SUCH MAJOR EFFORT ITSELF TO DEVELOP DEFENSE CAPABILITY, WHICH IS SO MUCH IN US/ROK MUTUAL INTEREST, CALLS FOR EQUIVALENT SUBSTANTIAL EFFORT FROM UNITED STATES.

14. WE RECOGNIZE PROBLEMS INHERENT IN SEEKING OVERALL LEVEL OF "ASSISTANCE" HIGHER THAN IN PAST. BUT THIS PROGRAM IS NOT IN FACT "ASSISTANCE" AS TERM USED IN PAST. COST TO U.S. TAXPAYER OF FMS CREDIT PROGRAM IS VIRTUALLY NIL. IN OUR OWN CONSIDERATION AND PRESENTATION TO CONGRESS, WE SUBMIT STRONG CASE CAN BE MADE, THAT, AT VIRTUALLY NO COST TO TAXPAYER, WE ARE OPENING LINE OF CREDIT THROUGH PROVIDING FMS GUARANTEES FOR COMMERCIAL CREDIT AT MINIMAL RISK, WHILE SUPPORTING OTHER BASIC U.S. OBJECTIVES.

B. OPTIONS

15. ASIDE FROM FMS CREDIT WHICH IN ACCORD ALL PAST AND CURRENT PLANNING WILL BE PRIMARY VEHICLE FOR OUR SUPPORT OF FIP, THERE ARE VARIOUS OPTIONAL FORMS OF PROVIDING REQUESTED \$300 MILLION LEVEL OR OF HELPING ROKS TO REDUCE THEIR FOREX PROBLEMS IN IMPLEMENTING FIP.

(I) GRANT: THOUGH NO TERMINATION DATE ABSOLUTELY SET FOR GRANT MILITARY ASSISTANCE, AND PRESIDENT FORD'S FY 76 PROPOSAL OF \$74 MILLION IS SUBSTANTIAL, PLANNED SHARP PHASE-DOWN TO TOKEN LEVELS OVER THE NEXT TWO YEARS AND PREVAILING CONGRESSIONAL SENTIMENT APPEAR TO RULE OUT GRANT AID AS MAJOR LONG-TERM MODE OF ASSISTING FIP. ROKGS HAVE BEEN INFORMED OF AND HAVE ACCEPTED THIS BASIC LIKELIHOOD. NONETHELESS, GIVEN FINANCIAL STRINGENCIES ROKS WILL FACE IN IMPLEMENTING EVEN REDUCED FIP, EFFORT SHOULD BE MADE TO MAINTAIN HIGHEST FEASIBLE LEVELS FOR KOREA DURING OUTYEARS.

(II) COMMERCIAL CREDIT: OUR ECONOMIC ANALYSIS SHOWED  
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THAT PROSPECTS FOR UNGUARANTEED COMMERCIAL CREDIT FINANCING OF MUCH OR ANY OF THE ADDITIONAL PROJECTED FIP FOREIGN EXCHANGE COSTS ARE PROBLEMATICAL (REFTEL D). WE FEEL THAT ANY SUCH PROSPECTIVE CREDIT SOURCES WOULD KEY THEIR JUDGEMENTS TO GUARANTEED CREDIT LEVELS, AMONG OTHER FACTORS. OUR OWN FMS CREDIT PROGRAM SHOULD BE PROGRAMMED TO EXTENT POSSIBLE TO HELP ELICIT MAXIMUM AVAILABLE COMMERCIAL FINANCING.



(III) EDA: AS PREVIOUSLY STATED (SEOUL 8802)  
SPECIAL PROVISIONS APPLICABLE TO KOREA WHICH PUT EDA  
UNDER OVERALL CEILING AND INCREASED EDA COSTS RULE OUT  
ROK USE OF EDA FOR ALL PRACTICAL PURPOSES. LEGISLATIVE  
CHANGES TO ELIMINATE DISCRIMINATORY TREATMENT OF ROK  
SHOULD BE SOUGHT.

(IV) IN COUNTRY PRODUCTION: WE SHOULD CONTINUE TO  
ENCOURAGE TO EXTENT POSSIBLE BOTH IN COUNTRY PRODUCTION  
AND, WITHIN ESTABLISHED GUIDELINES, CO-PRODUCTION OF  
DEFENSE ITEMS ON LIST.

(V) THIRD COUNTRY PURCHASES BY ROKG: WE HAVE NO WAY OF  
ESTIMATING THIRD-COUNTRY MILITARY PURCHASE CREDIT POTENTIAL  
AT THIS POINT, BUT ASSUME IT IS SUBSTANTIAL AND ANTICIPATE  
THAT ROK RECEPTIVITY TO SUCH OFFERS WILL GROW, IF KOREANS  
FEELS THEIR ESSENTIAL DEFENSE NEEDS CAN NOT BE MET OTHERWISE.  
SHOULD SUCH A SITUATION DEVELOP, PARTICULARLY AS A RESULT  
OF SHORTFALLS IN U.S. SUPPORT, WE WOULD HAVE TO RECONSIDER  
OUR POLICY OF ACTIVELY DISCOURAGING THIRD-COUNTRY  
PURCHASES, IN SPITE OF SERIOUS DEROGATIVE EFFECTS SUCH  
SUBSTANTIALLY EXPANDED PURCHASES OF NON-US HARDWARE  
WOULD HAVE, BOTH IN TERMS OF MILITARY DESIRABILITY AND  
OF IMPACT UPON U.S. PUBLIC AND CONGRESSIONAL ATTITUDES.  
WE MUST RECOGNIZE BASIC FACT THAT IN FUTURE ROKS ARE  
PREPARED TO PAY OWN WAY ESSENTIALLY AND THAT THIS GIVES  
US LESS LEVERAGE AND MAKES IT POLITICALLY LESS DESIRABLE  
TO BE RESISTANT WHEN ROKS SEE IT IN OWN INTEREST TO GO  
ELSEWHERE.

(VI) RECOMMENDATION

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16. COUNTRY TEAM RECOGNIZES THAT, IN THIS PERIOD OF  
BUDGETARY STRINGENCY, EXPANDED SUPPORT FOR ROKG MILITARY  
MODERNIZATION, EVEN IN CREDIT TERMS, IS DIFFICULT TO  
OBTAIN. NEVERTHELESS, SUBSTANTIAL U.S. SUPPORT FOR  
A MODIFIED FIP IS JUSTIFIABLE IN TERMS OF OUR NATIONAL  
INTERESTS IN KOREA. WE THEREFORE RECOMMEND \$300 MILLION  
ANNUAL SUPPORT BEGINNING U.S. FY 1977, ALMOST EXCLUSIVELY  
IN FMS GUARANTEED COMMERCIAL CREDITS AS A PLANNING TARGET  
FIGURE, AT SAME TIME OTHER OPTIONS FOR FOREIGN EXCHANGE SHOULD  
BE EXPLORED.

17. WE RECOMMEND FURTHER THAT ROKG BE INFORMED OF OUR  
PLANNING TARGET FIGURE WITH ALL CAVEATS, INCLUDING OUR NEED  
OF COURSE FOR CONGRESSIONAL AUTHORIZATION, FULLY SET FORTH,  
AND THAT, ON THIS BASIS, WE SEEK ROKG ACCEPTANCE OF

U.S. RECOMMENDED MODIFIED PLAN -- ALTHOUGH WE ASSUME  
ROKG MAY WISH FOR PUBLIC CONSUMPTION TO TALK IN TERMS OF  
FIVE-YEAR PLAN WHILE ACCEPTING IN FACT SHORTFALLS AND  
STRETCHOUT.

18.AMBASSADOR CLEARED THIS MESSAGE PRIOR TO DEPARTURE.  
ERICSON

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## Message Attributes

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